

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF RUSSELL COUNTY GAS)	
UTILITY, INC. FOR A CERTIFICATE OF)	
CONVENIENCE AND NECESSITY TO CONSTRUCT)	CASE NO.
AND FINANCE A GAS DISTRIBUTION SYSTEM IN)	89-125
JAMESTOWN AND RUSSELL SPRINGS, KENTUCKY,)	
AND FOR APPROVAL OF GAS RATES		

O R D E R

IT IS ORDERED that Russell County Gas Company ("Russell County") shall file the original and 10 copies of the following information with the Commission, not later than 10 days from the date of this Order. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided along with the original application, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. If the information cannot be provided by the stated date, Russell County should submit a motion for an extension of time stating the reason a delay is necessary and a date by which the information

will be furnished. Such a motion will be considered by the Commission.

1. In two prior cases before the Commission,¹ a utility has sought a deviation from Commission Regulation 807 KAR 5:022, Section 9(17)(a)2. In both cases, the Commission authorized a deviation from the regulation, but required the utility to install up to 100 feet of service line at no cost to the customer and to own, maintain, and operate the service line at no cost to the customer. The Commission allowed the utility to charge the customer for the actual cost of any service line footage in excess of 100 feet. Assuming the Commission authorizes Russell County to deviate from Commission Regulation 807 KAR 5:022, Section 9(17)(a)2, under these conditions, will Russell County install customer service lines under the terms of Commission Regulation 807 KAR 5:022, Section 9(17)(a)2, or under the conditions of the deviation?

2. According to its draft agreement with Columbia Gas Transmission Corporation ("Columbia"), Russell County will be served under the Small General Service ("SGS") rate schedule. At Exhibit 8 of the application and Exhibit 17 of the data response filed July 14, 1989, the wholesale cost of gas was shown as \$3.02

¹ Case No. 89-041, The Application of Delta Natural Gas Company, Inc. for an Order Authorizing It to Amend Its Tariff and For Authority to Deviate from Commission Rules in Order to Permit Company Ownership of Customer Service Lines, August 17, 1989; Case No. 10127, Application of Columbia Gas of Kentucky, Inc., For an Order Authorizing It to Amend its Tariff and For Legal Authority to Deviate From Commission Regulation 807 KAR 5:022, Section 9(17)(a)1, and 807 KAR 5:022, Section 9(17)(a)2, November 10, 1988.

per Mcf. No Columbia tariff sheet on file with the Commission for Rate Schedule SGS during 1989 shows a rate as low as \$3.02. Explain this discrepancy. Under what rate schedule will Columbia serve Russell County? How was the \$3.02 per Mcf rate stated in the application derived? As all Columbia rates are listed on a per dekatherm basis, provide the conversion factor necessary to arrive at a rate per Mcf for Russell County.

3. Provide the following information regarding the projected customer levels in the application and the field survey included as Exhibits 8 and 9 of the response filed July 14, 1989:

a. Of nearly 2,500 potential residential customers found in the survey, approximately 2,000 use fuel oil or electric heating systems. Explain why these residential customers will convert or replace their current heating systems. Include in your explanation a detailed estimate of the cost of converting/replacing a residential heating system using fuel oil or electricity with a heating system using natural gas.

b. Of approximately 350 potential commercial customers, the survey estimates that 200 of these customers will subscribe for natural gas service. Explain how this figure was derived. Explain why commercial customers using fuel oil or electrical heating systems will convert or replace their current heating systems with natural gas. Include a detailed estimate of the cost of conversion.

c. Explain how the average annual usage of 1,000 Mcf by public and institutional customers was determined.

d. The energy-use survey lists 15 potential industrial customers and their current fuel or energy source. For each customer, provide (1) the name and job title of the individual who provided information for the survey; (2) a description of its manufacturing operation; (3) the annual usage/volume of the existing fuel and the per-unit price; and (4) its projected annual natural gas purchases as a customer of Russell County.

4. According to the schedule of Russell County's projected expenses contained at Exhibit 8 of its application, Russell County will employ five persons. Provide a description of the specific duties of each employee. State the number of hours each employee will work on a weekly basis.

5. Does the item "Payroll Overhead" listed in Exhibit 8 of Russell County's application include unemployment taxes? If yes, why is "unemployment taxes" listed as a separate item? If no, what items are included in "Payroll Overhead"?

6. a. What are the duties of the attorney to be retained at \$6,000 annually?

b. Why will it be necessary to retain an attorney in future years?

7. Provide a copy of the depreciation schedule.

8. What is the purchase price of the vehicles listed as "Two Service Trucks" under operating expenses on page 2 of Exhibit 8 of the application?

9. How was billing expense determined? Include in your answer copies of any contract for services or price quotations. Also show how the total cost was calculated.

10. How was total printing cost determined? Include in your answer copies of any contract or price quotation for printing.

11. Provide a detailed explanation itemizing various costs for employee training.

12. What costs are included in licenses and dues? Provide a detailed breakdown showing all items included.

13. Provide the total cost for contingencies. Identify each item to be included in this cost and explain its inclusion. In its application, Russell County listed this cost at \$410,000 (10 percent). In its response to the Commission's Order of August 21, 1989, it was listed as \$75,000. Explain this discrepancy.

14. Identify all persons who will own, operate, manage, or participate in the management decisions of Russell County. Identify any other utilities with whom these persons are affiliated and provide complete and current (within 90 days) financial statements of these utilities.

15. Provide a complete and detailed breakdown of organizational costs.

Done at Frankfort, Kentucky, this 22nd day of September, 1989.

PUBLIC SERVICE COMMISSION

ATTEST:


For the Commission

Executive Director